STATE LANDS COMMISSION, STATE OF CALIFORNIA

Reporter's Transcript of Proceedings
of Regular Meeting of Sept. 13, 1957,
at Los Angeles, California

Tryer, Merrill & Blodgett
CERTIFIED SHORTHAND REPORTERS
124 W. Fourth Street
LOS ANGELES 13, CALIFORNIA
MICHIGAN 9808
STATE LANDS COMMISSION
STATE OF CALIFORNIA

Reporters transcript of proceedings of regular meeting held at 115 State Building, Los Angeles, California, at 9:30 a.m., September 13, 1957.

THE COMMISSION:
John M. Peirce, Chairman
Harold J. Powers,
Robert C. Kirkwood.

Commission Staff:
F. J. Hortig, Acting Executive Officer.
Kenneth C. Smith, Supervising Land Title Abstractor.

Legal Counsel:
Edmund G. Brown, Attorney General,
by Walter Rountree, Assistant Attorney General,
Jay Shavelson, Deputy Attorney General.
APPEARANCES:

For the City of Long Beach:
    Harold A. Lingle, Deputy City Attorney.

For Monterey Oil Company, Mr. Martin Kirk.

Clayton A. Dill, in pro per.

For The Trail Ends Development Company, Mr. Raymond R. Kahl.

For Various Applicants: Mrs. Ruth E. Thurber.
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CHAIRMAN PEIRCE: The meeting will come to order. The first order of business is approval of the minutes of the Commission meeting which took place on August 8, 1957.

GOV. POWERS: Mr. Chairman, I move the minutes be approved as submitted.

MR. KIRKWOOD: Second the motion.

CHAIRMAN PEIRCE: It has been moved and seconded, and the minutes will stand approved as written.

Before we proceed, a reporter is recording this meeting, so may we request that all who testify identify themselves, and that they step forward and speak into the microphone. The acoustics in this room are not good, so if you will co-operate, we will appreciate it very much.

Mr. Hortig, if you will take over with the agenda, please.

MR. HORTIG: Mr. Chairman, would you care to consider as the next item of business the location of the next meeting of the Commission, tentatively, since there have already been indications as to the possible desirability for having the meeting in Los Angeles the week of October 8th, if such time may be arranged.

CHAIRMAN PEIRCE: It would meet with my convenience to have the meeting here in Los Angeles the second week of October, being October 8th, I believe it is. Gov. Powers, do you recall whether your calendar will fit into that?

GOV. POWERS: I don't recall. I will check it.
would just as soon meet in Los Angeles, if it is convenient for you.

CHAIRMAN PEIRCE: Mr. Kirkwood?

MR. KIRKWOOD: I don't recall specifically what my calendar is. I know I have to be in Fresno the middle of that week. I don't think it will make any difference to me whether it is here or up north.

MR. HORTIG: In that event, we will verify it with your secretaries.

CHAIRMAN PEIRCE: All right. Mr. Hortig will verify the meeting date with our respective secretaries, and we will try to have this next meeting in Los Angeles sometime the week of October 7th.

GOV. POWERS: Between the 7th and 15th?

CHAIRMAN PEIRCE: Yes.

All right, Mr. Hortig, if you will proceed, please.

MR. HORTIG: If the Commission please, in view of the large attendance and personal interest that many people have in specific items, it is proposed to take the oil and gas items in sequence as they appear on the calendar, and then proceed with the balance of the calendar.

Page 1--Request for deferment of drilling and operating requirements by Tidewater Oil Company for lease P.R.C. 1744.1 held at Summerland in Santa Barbara County. Pursuant to this lease the lessee commenced operations as required, has drilled one well; operations on this well were suspended
August 11th. An application has been received from the lessee for an extension of time in which to commence operations for the drilling of a second well until February 11, 1958. In order to permit proper evaluations of the results obtained from the well drilled, particularly in conjunction with other available geological information, to determine a possible future exploration program for the lease, it is recommended that the Commission authorize the granting of a deferment of drilling and operating requirements under lease P.R.C. 1744.1 until February 11, 1958, subject to the condition that the lessee during the period of deferment will either initiate development on the lease, quitclaim the entire lease area, or present new adequate bases for any further consideration of deferment.

MR. KIRKWOOD: I would so move.

GOV. POWERS: I second that.

CHAIRMAN PEIRCE: It is moved and seconded, and the recommendation is approved.

MR. HORTIG: Page 2--A similar request for deferment of commencement of operations by Monterey Oil Company as operator of lease P.R.C. 1550.1, Huntington Beach Field, Orange County, on which lease subsequent to the drilling of exploration test holes, the Commission has previously granted other deferments. The permittee--or, excuse me, the lessee at this time also requests that a deferment of lease operations is desirable until title to the lease has been
cleared, and has even requested a period of time thereafter as would enable the lessee to resume operations in view of the litigation which has been instituted by the County of Orange. It is the staff recommendation, however, that the Commission authorize the grant of the permit for a period of one year, to October 16, 1958, subject again to the conditions that the lessee during that period initiate operations on the lease, or quitclaim the entire lease area, or present new adequate bases for further consideration, it being felt that a period of one year is reasonably adequate for review of the data which will be developed by the lease explorations, and also the entire relation of the title litigation with respect to further operations probably can be more clearly evaluated one year hence; the deferment therefore should not be granted for an indefinite period.

CHAIRMAN PEIRCE: Is this limited period of deferment agreeable to the Monterey Oil Company?

MR. HORTIG: Yes, sir. The representatives of the Monterey Oil Company are present.

MR. KIRKWOOD: Which lease is this?

MR. HORTIG: This is the lease most seaward of the Huntington Beach Field and lying generally between there and Newport Beach city.

MR. KIRKWOOD: What is happening on the others? There is another lease to Monterey, and then there is also a third lease in that area?
MR. HORTIG: Yes. Both of the other leases are standing under periods of deferment previously granted by the Commission.

MR. KIRKWOOD: Does this mean if we base this deferment in part on the question of legal proceedings that automatically we are going to grant deferments from here on out until those suits are settled? I am wondering if we are setting that as a precedent.

MR. HORTIG: Not necessarily, however, as the Commission will recall, there is already a directive to consider any further lease offers in Orange County until settlement of litigation and title of these tide and submerged lands in Orange County.

MR. KIRKWOOD: That is right. We felt, as one of the reasons for that, that we wouldn't get as good bids, probably, with that situation outstanding as we would if it were clarified, but here you have a lease, and to use that as grounds of deferment, I wonder whether that is a wholly valid ground?

MR. HORTIG: Might I say in addition, sir, it was the intent of this recommendation that this was a possible additional ground. The basis of the staff recommendation on deferment is in order to again co-ordinate the exploration, the results of exploration activities which have recently become available with others which are programmed, considering as a possible added factor this matter of
litigation, though the applicant based the request for deferment primarily on the question of litigation, hence the staff recommendation of deferment being for a period limited to one year, whereas the application was an indefinite period until the completion of litigation.

CHAIRMAN PEIRCE: Any further discussion?

MR. KIRKWOOD: I go along with the staff recommendation, but on the basis of a deferment based on the extension of such time for further evaluation, but I hesitate at this point to give further consideration to starting a precedent based on the other legal ground. Do you have any further comments on that, John?

CHAIRMAN PEIRCE: I believe we should ask the Attorney General his opinion with respect to whether or not the Orange County litigation calls for deferment of this particular lease. Mr. Rountree, have you any comment in this regard?

MR. ROUNTREE: Mr. Peirce, we haven't given consideration to the legal aspects of the effect of litigation upon this particular lease. We would have to study it and we would be glad to do it, if that is the desire of the Commission. I might just add this one comment, that with respect to the period of time of deferment suggested by the staff of one year, it is my view that it is doubtful in this particular case one year would be long enough, but by that time new evidence would be available to determine whether further extensions is required if the litigation
is a factor in determining whether extensions of time or
deferrals are to be allowed.

MR. KIRKWOOD: When do the deferrals on the other
pieces of ground expire?

MR. HORTIG: If I may call on a representative of
Monterey Oil Company, I believe he can assist us and without
us having to seek that information out specifically.

MR. MARTIN KIRK: I represent the Monterey Oil Company.
The other lease that we have is 1549, immediately adjoining
1550, which is the subject of this request, and that now
has been deferred to September 1, 1958. Because that has
that much time to run the company did not request a defer-
ment on that lease, on that 1549, for this reason, we felt
we would wait until that time and see what the situation was.

MR. KIRKWOOD: Frankly, why don't we defer this one until
that same date, September 1, 1958, on the basis of further
evaluation, and then if further requests for deferment
come up in this area, ask you to consult with the A.G.'s
office and see whether the deferment should be granted on
the basis of the legal problem involved?

MR. HORTIG: That would appear to be satisfactory.

MR. KIRKWOOD: Is that all right, John?

GOV. POWERS: You mean change that to September 1st
from October 16th; is that right?

MR. HORTIG: That is right.

GOV. POWERS: It would make it a month and a half
less.

MR. HORTIG: Yes.

GOV. POWERS: That is agreeable.

CHAIRMAN PEIRCE: All right; the recommendation has been amended as indicated. Is there any further discussion?

GOV. POWERS: I so move.

MR. KIRKWOOD: Seconded.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 4, gentlemen. The Commission will recall prior consideration to offering for oil and gas lease areas in Santa Barbara County of tide and submerged lands extending from the Elwood Oil Field to Point Conception, culminated in an offer of five parcels for which bid offers were finally withdrawn in conformance with Assembly Concurrent Resolution 33 in January of this year. Under Section 6871.3 of the Public Resources Code, tide and submerged lands may be offered for lease subject to the provisions of Section 6871.1 (limitations as to specified areas), whenever it appears to the Commission that it is for the best interests of the State to lease lands for the production of oil or gas therefrom, or whenever a person who possesses the qualifications specified in the Public Resources Code makes written request for lease consideration. In the event of determination by the Commission to consider offering oil and gas leases, the Commission, pursuant to Section 6873.2 of the Public Resources Code, shall publish
notice of such consideration, and any affected city or county may request that a hearing be held with respect thereto.

Again referring to this same area originally considered for review by the Commission approximately one year ago, it is recommended that the Commission first determine to consider offering leases for the extraction of oil and gas in the area of approximately 54,000 acres lying between the westerly boundary of State Oil & Gas Lease P.R.C. 208.1, which is in the Elwood Field of Santa Barbara County, and a line approximately one and a half miles westerly of Point Conception, Santa Barbara County, and between the ordinary high water mark and a line three miles seaward of and parallel to the ordinary high water mark. Secondly, it is recommended that the Commission authorize the proceeding with the publication of notice required by Section 6873.2 of the Public Resources Code that the Commission intends to consider offering leases for the extraction of oil and gas.

CHAIRMAN PEIRCE: Now, this is the first step to be taken in a series of steps that will later be taken before leases are actually granted?

MR. HORTIG: That is correct, sir.

CHAIRMAN PEIRCE: Approximately how much time will be involved to be ready for business?

MR. HORTIG: Without including time for mechanical
processing of papers, the original notice in this instance, which would be to Santa Barbara County, must be a 30-day notice, and subsequent to receipt of advice of Santa Barbara County that they desire, if they desire to have a public hearing held, a date must thereafter be set on which an additional 10-day notice must be given. Therefore we have assumed approximately forty days. Thereafter the hearing is held and in not less than thirty days after the completion of the hearing the Commission shall determine the bases for offering the leases. So we are anticipating, therefore, that we could not be back to the Commission with recommendations as the bases for offering of leases less than seventy days from this date.

MR. KIRKWOOD: This was not a place where the county asked for a hearing the last time, is it?

MR. HORTIG: Yes, sir, this is the identical area which we reviewed initially with Santa Barbara County, and Santa Barbara County deferred on holding a hearing on the second area which resulted in the leases being awarded to Standard and Humble at Summerland.

MR. KIRKWOOD: It would be seventy days as a minimum, then, before we would have to determine the exact areas to be offered, I mean the acreages to be offered?

MR. HORTIG: Acreages, location, terms and conditions, yes, sir.

MR. KIRKWOOD: Under the amendments adopted at this
last session, there is no question now as to our ability
to cut down the acreages, Mr. Shavelson?

MR. SHAVELSON: I think the ambiguity that there was
before that the Commission had to proceed after such a
hearing has been eliminated by Assembly Bill 47.

CHAIRMAN PEIRCE: May I ask, Mr. Hortig, if you follow
this procedure will we have ample time to obtain the advice
of counsel or of consultants whom we may retain pursuant
to a later item in the agenda?

MR. HORTIG: It was anticipated, sir, and those were
the express desires, to have the availability of those
services as expressed by members of the Commission, that
the timing could be so adjusted in order to provide that
availability. This is particularly flexible in the
terminology that the second notice required to the county
shall be "not less than ten days" and there is no maximum
specified; and the time for determination by the Commission
under the revised statute after the public hearing is "not
less than thirty days," again without a maximum specified.
So that if it is necessary to co-ordinate the timing, there
is flexibility in the establishing of those dates in the
discretion of the Commission.

CHAIRMAN PEIRCE: This is in effect a notice of
intention?

MR. HORTIG: Virtually a notice of intention to consider
to begin to start, about that far back.
MR. KIRKWOOD: I would so move.

GOV. POWERS: I second it.

CHAIRMAN PEIRCE: It has been moved and seconded. The recommendation of the staff is approved.

MR. HORTIG: Page 30, please.

CHAIRMAN PEIRCE: Page 30.

MR. HORTIG: An application has been received from Mr. Edwin W. Pauley for permission to conduct geological survey explorations from mobile marine equipment during a 90-day period beginning September 15, 1957. Permission has been requested to conduct such operations in conformance with the existing rules and regulations of the Commission. It is therefore recommended that the Commission authorize the issuance of a geological survey permit to Mr. Pauley conforming to the operating conditions determined by the Commission May 18, 1956, for the period September 15, 1957, through November 15, 1957, in order to obtain desired geological information in the area of tide and submerged lands under the jurisdiction of the State Lands Commission lying between Point Conception, Santa Barbara County, and Point Dume, Ventura County. Permittee is to reimburse the State Lands Commission for all of its inspection costs.

I might bring to the attention of the Commission the selection of the date of November 15th, which is not in conformance with the request of the applicant. It was, however, selected and is recommended in anticipation that by
that date revised rules and regulations of the State Lands Commission in conformance with the terms of Assembly Bill 60 will have been completed, and it is therefore contemplated that when that has been completed any existing permits will be terminated and new permits issued to conform with the rules and regulations then in effect.

CHAIRMAN PEIRCE: Any questions, gentlemen?

GOV. POWERS: So move.

MR. KIRKWOOD: Seconded.

CHAIRMAN PEIRCE: Recommendations will be approved.

MR. HORTIG: Again with particular reference to personal appearances, if the Commission will turn to page 6, relating to sale of vacant State school land.

An offer has been received from Mr. Clayton A. Dills of Gardena, California, to purchase 485.79 acres of vacant State school land lying in Section 36, Township 12 South, Range 21 East, San Bernardino Meridian, in Imperial County. The application was filed, and subsequently, on July 1, 1957, an application for purchase of this land was filed by the Department of Fish and Game for the State of California. This application has been supplemented by a letter from the Department of Fish and Game requesting withdrawal of the aforesaid land from public sale and to consider sale of these lands to the Department. The reason given for the request of withdrawal is that land borders on the Colorado River and embraces the mouth of the Julian Wash.
This land is reported to be valuable in conjunction with the public lands for which the Department of Fish and Game has made requests for administrative jurisdiction, and secondly, the land is strategically located and extremely valuable in the Department's plans for development of access to the Colorado River. Accordingly, the Department feels that it should be retained in state ownership.

This request, incidentally, was also forwarded in conjunction with a request from the Wild Life Conservation Board of the State of California. Under Section 6210.2 of the Public Resources Code, the Commission may withdraw from sale any of the public lands belonging to the State and may restore any and all public lands so withdrawn, or other public lands, for sale.

In view of the request for the Department of Fish and Game and Wild Life Conservation Board, it is recommended that application 11098 of Mr. Clayton A. Dills of the specified 485 acres in Imperial County be rejected and all deposits refunded except the five-dollar filing fee, statutory filing fee, and that said land be withdrawn from public sale until June 30, 1958, for sale to the State Department of Fish and Game at the appraised market value, without competitive bidding, subject to all statutory reservations, including minerals.

CHAIRMAN PEIRCE: Mr. Dills, we would like any statement that you might desire to make in regard to this application.
MR. CLAYTON A. DILLS: Mr. Chairman and members of the Commission, I have just returned from Seattle, the Interstate Co-operation Commission. I would ask for a postponement, because I haven't--I didn't receive any notice from the Commission. I just returned from Seattle and didn't know, except by phone yesterday, that this was going to be on the agenda. I would appreciate it if we could postpone this.

CHAIRMAN PEIRCE: Is there any objection, deferring consideration of this recommendation to the next meeting of the Commission?

GOV. POWERS: I would move that we defer it.

MR. KIRKWOOD: Seconded.

GOV. POWERS: It won't hurt anything.

CHAIRMAN PEIRCE: It will be so ordered.

MR. HORTIG: Page 21, please, which is an item which should be considered by the Commission precedent to hearing the further items on which there are personal representations this morning.

Effective January 24, 1955, the Executive Officer issued a directive suspending, for a period of 30 days from said date, the acceptance and filing of lieu land applications. Subsequently, on February 7, 1955, the suspension was again extended and thereafter, on June 23, 1957, the suspension was placed in effect for an indefinite period.

The reasons for the suspensions were the lack of the
required type of State lands to be offered to the United States as base, under the State indemnity selection applic-
ation procedure. At the time of placing the suspension in effect, practically all base lands available to the State, in Death Valley and Joshua Tree national monuments, had been used except for limited acreage desirable for retention and use in amending already existing applications. A further reason for the suspension was to provide time for a complete check of Federal land records, both in the Sacramento and Los Angeles offices of the Bureau of Land Management, to determine the various isolated parcels of State school lands which, pursuant to law, could be utilized as base in the filing of State indemnity selection applications with the United States.

As a result of the exhaustion of base lands referred to above, the only lands remaining, which the State could offer the Federal government under the indemnity selection procedure, were those situated within three military installations, embraced in Federal withdrawals, all of which were and still remain under lease for military purposes to the United States and provide a fair return to the State on a rental basis.

The Commission, in its meeting held April 28, 1955, authorized the filing of wholesale exchange applications with the Federal government. Accordingly, at the direction of the Executive Officer, applications received from individuals were assembled and held, with the understanding
with each individual applicant, that upon receipt of a sufficient number, comprising substantial acreage, the State would in turn file a wholesale exchange application with the United States. The termination date for acceptance of applications under this latter procedure was the filing of the State's wholesale applications with the United States embracing lands in the several individual applications to the State. The last State wholesale exchange application was filed with the United States on September 23, 1955. Each applicant agreed in writing that in the event the State was successful in acquiring the lands, sale thereof would be conducted on a competitive bidding basis, with the original applicant having the right to meet the highest bid received.

Military lands leased to the United States by the State were offered to the Federal government as base under the latter applications.

Several exchange applications have been processed by the United States to the point where the State has been advised that the value of the selected lands far exceeds the value of the offered State lands, in some instances by a ratio of 18 to 1. Inasmuch as such applications, pursuant to both Federal and State law, must be made on the basis of equal value, the State is required to offer additional land to bring the value of the base lands in line with the value of the selected lands. With only raw desert lands available to the State, nominal in value, it appears that the State
may not be able to consummate all exchanges for which applications have been filed.

It is recommended that the Commission confirm the action of the Executive Officer suspending for an indefinite period the filing of indemnity selection applications and exchange applications by individuals, such suspension not to preclude the filing of indemnity selection and exchange applications with the Federal government in behalf of the State and at the option of the Commission, or any necessary procedural amendment to existing applications. It is further recommended that the Acting Executive Officer be authorized to consummate existing exchange applications based upon the order of processing by the United States Bureau of Land Management, each to be worked out individually through negotiations by the Acting Executive Officer with the United States and the State application, with the State to acquire as much of the selected Federal land as possible in each application consistent with the value of base lands available to the State. Applications shall be canceled as to those Federal lands the State is unable to acquire as the result of insufficient base lands being available to the State.

CHAIRMAN PEIRCE: What you are in effect recommending is that the Commission assume the responsibility of the suspension, instead of continuing on the basis of Executive Order issued by the Executive Officer?
MR. HORTIG: Yes, sir.

CHAIRMAN PEIRCE: Any questions?

MR. KIRKWOOD: Is there anybody interested in this subject?

CHAIRMAN PEIRCE: Is there anybody interested in this question who desires to be heard today?

MR. RAYMOND R. KAHL: My name is Raymond R. Kahl. I represent the Trails End Development Company, a California corporation. I have a letter from the State Lands Commission stating that it is in error as far as I have been opposed to this suspension of lieu land exchanges. I don't in any way protest that, but I do, would like to file my presentation in behalf of the position that I desire to proceed under as outlined in that presentation, with the thought in mind that we never did at any time submit to the State Lands Commission an application based upon in lieu indemnity lands. We are not filing our application or don't intend to file our application under indemnity in lieu lands.

We have checked with the Department of Interior in Washington and found out under Section 8 of the Taylor Grazing Law, and laws of the State Commission supplemented by the Code of Administrative Procedures, and I would like to read our presentation to you.
On January 24, 1955, the Commission through its Executive Officer issued a directive suspending, for a period of 30 days from said date, the Acceptance and Filing of Lieu Land Applications. Subsequently, on February 7, 1955, the suspension was again extended and thereafter, on June 23, 1957, the suspension was placed in effect for an indefinite period.

The reason for the suspensions as reported was the lack of the type of State lands to be offered the United States as bases "under the State Indemnity Selection Application Procedure." It was further stated in the suspension notice that the Federal Bureau of Land Management required certain types of school lands of a comparable area to that selected.

The applicants have carefully examined into the definition of "Lieu Lands" (See Public Resources Code, Division 6, "Public Lands," Part 3, "Sale of Public Lands," Article 3, 3, "Lieu Lands," Section 7402.) They have also in a like manner examined into the statutory authority set forth in the Code of Federal Regulations, (Part 146, sections 146.1 - 146.2- (a) (b) (c) (d) and Part 147, Section 147.1 - 147.2 (a) (b) (c) (d) - 147.4 (a) (1), and Section 8 of the Taylor Grazing Act.)

Under Part I, Chapter 3, Section 6210.2 of the Public resources Code, attention is called to the power of the Commission to withdraw from sale any of the public lands
belonging to the State and also restore any or all public lands so withdrawn, or other public lands, for sale. It is contended by the Trail Ends Development Company that their application to buy and exchange State land does not fall within the provisions of the suspension order set forth in the Commission's directive as regards Lieu Lands, dated January 24, 1955, and February 7, 1955. (See Part 3, Article 3, "Lieu Lands")

The Trail Ends Development Company contends that their application is filed and should be considered and processed under the Public Resources Code, Division 6, Part I, Chapter 6, Section 6443, to wit:

"The Commission may co-operate with the Secretary of Interior, may select the lands of this State to be exchanged with the United States under Section 8 of an Act of Congress entitled An Act to stop injury to the public grazing lands by preventing the overgrazing and soil deterioration, to provide for their orderly use, improvement and development, to stabilize the livestock industry dependent upon the public range, and for other purposes, approved June 28, 1934, and may arrange with the proper officials of the United States for such exchange."

And Section 8 of the Taylor Grazing Act provides:

That where such action will promote the purposes of the district or facilitate its administration, the Secretary is authorized and directed to accept on behalf of the United
States title to any privately owned lands with the exterior boundaries of the district as a gift, and when public interests will be benefited thereby, he is authorized and directed to accept on behalf of the United States title to any privately owned lands within the exterior boundaries of said Grazing District, and in exchange therefor to issue patent for not to exceed an equal value of surveyed grazing district land or of unreserved surveyed public land in the same State and within a distance of not more than fifty miles within the adjoining State nearest the base lands; provided, that before any such exchange shall be effected, notice of the contemplated exchange, describing the lands involved,"

CHAIRMAN PEIRCE: Mr. Kahl, may I interrupt? You are raising legal questions here, and I wonder if it wouldn't expedite matters if we were to receive your written statement and copy of the communication and refer this to the Attorney General's office, so that he may advise us concerning the validity of the points that you are raising. This comes to me as quite a new subject. I have no background with regard to it, and I assume the other two members of the Commission are not familiar with the details of your presentation. Now, would that be agreeable to you?

MR. KAHL: Oh, certainly. Yes, sir.

CHAIRMAN PEIRCE: Mr. Hortig, what is your comment with regard to the suggestion I have just made?

MR. HORTIG: I would recommend the procedure that you
have just suggested, sir.

CHAIRMAN PEIRCE: I think, Mr. Kahl, that would expedite matters in your behalf, because we will have to do it anyway.

MR. KAHL: That is right.

CHAIRMAN PEIRCE: The Attorney General can refer back to his comments concerning this matter, and then you will have an answer that will have the Attorney General behind it as to its validity.

MR. KAHL: That is right. There is another question I would like to bring to the attention of the Commission, as to the guaranty. This particular purchase and exchange involves $59,200, and it is one that is processed not by the local Federal officers in this State, it is processed by Washington, being over the $50,000 mark, and we also, my people naturally realize, and I think that everyone realizes, to put up $59,000 in cash and leave it lying there for two or three years—we would like to have you look at the second part of this and give us some idea on the questions asked in there.

CHAIRMAN PEIRCE: We will examine it very carefully, and with the advice of the Attorney General we will try to provide you with an answer as quickly as we can. Now, have you any objection to the recommendation concerning the suspension that Mr. Hortig read a moment ago.

MR. KAHL: No, none whatsoever.
CHAIRMAN PEIRCE: I wanted that understood.
MR. KAHL: We don't protest that at all.
CHAIRMAN PEIRCE: Now, the immediate decision, gentlemen, is approval of the recommendation of Mr. Hortig.
MR. HORTIG: Item 28, page 22.
GOV. POWERS: I approve it.
MR. KIRKWOOD: I move the approval of that recommendation, Item 28.
GOV. POWERS: Seconded.
CHAIRMAN PEIRCE: All right, that recommendation on page 22 is approved. Now, with respect to the next item, which deals with Mr. Kahl's presentation, I believe we have received these two documents, and it is my suggestion that they be referred to the Attorney General for his advice, and when we hear from the Attorney General's office we will then consider the matters presented by Mr. Kahl. Is that agreeable to the other two members of the Commission?
MR. KIRKWOOD: Yes.
GOV. POWERS: That is agreeable to me.
CHAIRMAN PEIRCE: So that will be the order. The next item, Mr. Hortig?
MR. HORTIG: Page 20, gentlemen. This is the same type of sale of indemnity selection applications which has just been under discussion. A series of applications have been processed by the United States Department of Interior, Bureau of Land Management, to the point where the selected
Federal lands have been listed to the State and are now available for sale to the respective applicants at the appraised price. When the initial appraisals were conveyed to the applicants, a request for deferment of confirmation of action was granted by the Commission to permit a staff review of counter appraisal data to be furnished by the applicants, which were to indicate that the State's appraisals were in excess of the market value for which the Commission should sell the lands. These data have been reviewed. The sales of lands referred to and the material submitted do not appear to be remotely comparable in location or desirability and are too far distant from the lands in question to be considered for comparability as to values. The balance of the material submitted has not offered any bases for modification of the original valuations. It is felt that the valuations heretofore set reflect market value at the time of appraisal, based upon the selling price and demand for comparable lands in the immediate area.

It is therefore recommended that the Commission authorize the sale of the lands embraced in the enumerated applications in its recommendation, respectively, at the appraised values heretofore established by the staff; that the Commission confirm the extension of time granted by the Acting Executive Officer from September 7, 1957, to September 13, today, and authorize the issuance of the usual standard notice to all applicants, allowing 20 days from
September 13th, or until 5:00 p.m., October 3, 1957, within which the applicants may submit the required amounts to meet the appraised values established by the staff. It is further recommended that the applications be canceled as to those applicants who fail to meet the appraised value within the time specified, and deposits refunded, less expenses incurred to the date of cancellation, whereupon the lands therein will be offered for sale at competitive bidding, under the rules and regulations governing the sale of vacant State school lands.

This item appears complex, gentlemen, simply because it includes a number of applications. It is a standard type of state indemnity selection application and sale. It was complicated further by the request for review of staff appraisals before final recommendation for the sale. Mrs. Ruth Thurber, who represents the applicants involved, embracing the numerous applications, is heretofore today and desires to speak relative to the applications at this spot.

CHAIRMAN PEIRCE: Mrs. Thurber.

MR. KIRKWOOD: Mr. Hortig.

MR. HORTIG: Yes, Mr. Kirkwood.

MR. KIRKWOOD: I am not clear as to the relationship between the item and the deferment we were just talking about. Are they related in any way to the item on page 22?

MR. HORTIG: Only this, sir, that there would be no acceptance of any further applications of this type under
the deferment.

MR. KIRKWOOD: These were accepted previous to the deferment?

MR. HORTIG: These were previously processed. These are of long standing and now being consummated, and still to be completed.

MR. KIRKWOOD: In that other item you were talking about each applicant agreed in writing that in the event the State was successful in acquiring the lands, sale thereof would be conducted on a competitive-bidding basis, the original applicant having the right to meet the highest bid received.

MR. HORTIG: That is lands acquired under indemnity selection and exchange applications procedures, and these were selection procedure applications solely.

CHAIRMAN PEIRCE: All right. Mrs. Thurber, you may proceed.

MRS. RUTH E. THURBER: Thank you. Gentlemen, I, including myself, represent the fourteen applicants which Mr. Hortig's report and recommendations concern. We have through the three years since these applications were made learned to trust the State Lands Commission and its fairness. It is going to be rather a shock to my fourteen applicants as to the high appraisal on these lands. I think you realize that three years ago, when we made the applications prices were very much different than they are now, so that means
that these fourteen applicants are going to have to take a great hardship if they try to finance these purchases within twenty days. True, we have waited three years, and I am here to get the sufferance of the Commission and request that an added thirty days over the 20-day period recommended. Two of our applicants are in India; three are on vacation. It is my responsibility to co-ordinate the activities and modus operandi of the thing, and I feel that if you will be gracious enough to extend to us, in all fairness, since we are making our request in good faith, I feel that at the end of that time we will be in such position as to bring to the State Lands Commission something of real value in the way of the purchase of these lands for the School Fund. We think we can accomplish this if you will be gracious enough, as I said, to extend us an added thirty days over the twenty.

CHAIRMAN PEIRCE: Is there any objection, Mr. Hortig, to extending this thirty days beyond the date indicated in your recommendation?

GOV. POWERS: Extend the 20 to 50?

CHAIRMAN PEIRCE: An additional 30, yes.

MR. HORTIG: Thirty days beyond the staff recommendation, as I understand Mrs. Thurber.

MRS. THURBER: Yes.

MR. HORTIG: Which would make it a total of 50 days. On the understanding that the purpose of the extension is to permit the time to consummate the sale of these lands
in accordance with the recommendation of the Commission, as otherwise stated and not as an additional period in which to present additional arguments against staff appraisals--

MRS. THURBER: No.

MR. HORTIG: (Continuing) --as far as I can see, there would be no staff objections to the granting of the extension.

MRS. THURBER: We are very happy to accept the staff's decision, because we have confidence in the fairness of it.

MR. KIRKWOOD: This is to get more time to get your financing?

MRS. THURBER: This is a question of rearranging our finances and getting loans, as the market is low, and we are hoping it will go up a little, and what have you.

CHAIRMAN PEIRCE: All right. The recommendation as amended, providing an additional thirty days time is approved.

MR. KIRKWOOD: So it will leave the applicant 50 days from September 13th, yes.

MRS. THURBER: Thank you.

MR. HORTIG: Page 43, gentlemen. In deference to the personal attendance by representatives of the City of Long Beach, the City of Long Beach has requested approval by the Commission of the employment of Dr. S. Hudson to make engineering, geological and reservoir studies in the Wilmington Oil Field relating to the production of oil, gas
and other hydrocarbon substances and to the effect thereof upon subsidence. Similarly, approval has been requested for the employment of the firm of de Colyer and McNaughton to make similar studies relating primarily, however, to the production of oil and gas and other hydrocarbon substances, and only incidentally as to the result upon subsidence. The costs to be incurred under the respective study contracts are tabulated in Exhibit "A" attached hereto. The proposed rates of compensation are substantially in line with going rates charged by experts of similar status, and the projects are considered to be reasonably related to and necessary for the protection, preservation and maintenance of the tide lands as necessitated by the subsidence of the land surface.

The Commission is already aware of the requirement of advance approval of subsidence costs in those instances where the City desires to achieve the offset advantages in payment under Chapter 29, Statutes of 1956. Approvals by the Commission of subsidence costs heretofore prior to disbursement have been predicated upon recommendations of the office of the Attorney General that such approvals were proper and did not limit the authority of the Commission to require advance review of contracts prior to the establishment of commitments for expenditure of subsidence costs. In consideration of the initial presentation for approval of the subject study contracts subsequent to the effective date of the contracts, it is suggested that Commission approval for
expenditure of subsidence costs be limited to the costs of services rendered after the effective date of Commission approval. As to the balance of the costs proposed to be expended by the City of Long Beach, these could be expended if we are informed from the City of Long Beach's tideland portion of its revenues only provided the expenditure falls within a category specifically designated in Chapter 29 or in a category approved pursuant to stipulation filed in the action and the decree, approved either by the office of the Attorney General or by the State Lands Commission. The office of the Attorney General has determined that this is an item requiring policy determination by the Commission in preference to the filing of a legal stipulation.

Therefore, it is recommended that the Commission, pursuant to Section 10 of the decree in the action of People of the State of California vs. City of Long Beach, approve the expenditure by the City of Long Beach of oil revenue for services rendered by Dr. Frank S. Hudson and de Golyer and McNaughton under contracts authorized by the Long Beach City Council, and maximum amounts not exceeding $30,000 and $50,000 respectively.

Second, that the Commission approve the costs proposed to be expended by the applicant City of Long Beach, including subsidence costs, for services being rendered by the same contractors on and after September 13, 1957, subject to the standard conditions for such approvals by the
Commission in that the amount, if any, of the foregoing items to be allowed ultimately as subsidence costs, is to be determined by the Commission upon review and final audit subsequent to the time when the work under the subject contracts is completed; that the total costs shall not exceed $10,000 or $25,000, respectively, for the two contractors prior to further review; and the agreement by the City of Long Beach to furnish promptly to the Commission copies of all the results of the reports developed under the subject service contracts. Then the standard authorization that the staff be authorized to execute appropriate written instruments reflecting the Commission's conditional approval.

Representatives of the City of Long Beach are present, if they might wish to comment.

CHAIRMAN PEIRCE: Any representative of the City of Long Beach here?

MR. HAROLD A. LINGLE: I am Harold A. Lingle, Deputy City Attorney. I have no comment. I believe that Mr. Hortig has presented it completely, and our only comment would be that we certainly appreciate some of your staff's co-operation on some of these matters.

CHAIRMAN PEIRCE: Do the recommendations meet with your approval?

MR. LINGLE: They certainly do.

CHAIRMAN PEIRCE: Any questions?

MR. KIRKWOOD: I am not sure that I understand just
what we are doing here. The first part of this recommendation would approve the expenditures to date?

MR. HORTIG: Respectively, and limited to expenditures by the City from its 50 per cent of the tidelands fund without any hope of recouping any subsidence cost elements.

MR. KIRKWOOD: So the only place where the State's funds would be involved would be under the second part?

MR. HORTIG: After September 13th.

MR. KIRKWOOD: I move it.

GOV. POWERS: Seconded.

CHAIRMAN PEIRCE: All right; the recommendations are approved.

MR. HORTIG: Page 46. The Commission has heretofore approved costs to be expended in the 1957-58 fiscal year by the Harbor Department of the City of Long Beach, including subsidence remedial work, for "Pier B" area project. It has developed that additional costs will be incurred in this construction. The sub-project has received initial staff review and is considered to include some "subsidence costs" as defined in Chapter 29. Therefore it is recommended that the Commission approve such costs proposed to be expended by the City of Long Beach, including subsidence remedial work, as indicated on Exhibit "A" attached.

MR. KIRKWOOD: There is nothing unusual in this?

MR. HORTIG: On the balance of the fiscal year an augmentation has been made necessary by an expanded cost.
MR. KIRKWOOD: I will so move.

GOV. POWERS: Seconded.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 48 is identical in that the Commission approved costs to be expended for the "Roads and Streets" area project for the 1957-58 fiscal year, and it requires augmentation because of the necessity of constructing sections of levee to restore the continuity of the levee where it is broken by removal of a low-level bridge, which was not foreseen at the time of the original project.

GOV. POWERS: Approved.

MR. KIRKWOOD: Approved.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 50. The Commission will recall that for the two months past, while laboring with the classification and legal feasibility of approval with respect to acquisitions of property in the Town Lot area project, necessary operations and expenditures therefore have been authorized on the monthly basis. This item on page 50 recommends an additional allocation for the months of September and October in order to continue with this project while we search for the overall inclusion and bases on which this item may become an approved fiscal year project.

CHAIRMAN PEIRCE: Any questions?

MR. KIRKWOOD: Move it.

GOVE. POWERS: I second it.
CHAIRMAN PEIRCE: It has been moved and seconded. The recommendation is approved.

MR. HORTIG: Page 52 is similarly the problem of location and construction, design and related matters, relating to the administration building might be clarified as to bases for approval in toto, therefore necessary current work for the last two months has been authorized on a monthly-expenditure basis. Recommendation is for Commission approval for September and October of the additional funds indicated on page 53 in order to permit the preliminary study program and preliminary engineering proceed.

MR. KIRKWOOD: So move.

GOV. POWERS: Seconded.

CHAIRMAN PEIRCE: Moved and seconded; the recommendation is approved.

MR. HORTIG: Mr. Chairman.

CHAIRMAN PEIRCE: Mr. Hortig.

MR. HORTIG: I wonder if you would inquire whether there are any other personal appearances in the audience.

CHAIRMAN PEIRCE: Are there any persons present who are interested in other items on the agenda? If you will indicate your presence, we will give you preference.

Apparently not, so let us return to the regular items on the agenda.

MR. HORTIG: Page 5. Application has been received for a 15-year resort and recreational lease for a portion
of the State-owned lands on Lake Tahoe under the terms and conditions heretofore determined by the Commission for this type of activity. It is recommended that such lease be granted to the Tahoe Tavern Resort Company for a period of fifteen years.

GOV. POWERS: At $75 a year?

MR. HORTIG: That is correct, sir.

GOV. POWERS: Is there anything particular about that, now?

MR. HORTIG: No, merely that we probably have more people not under lease today than are under lease, but they are gradually coming in and consummating these lease problems. Valuewise, the greater proportion of the value of these installations on the lake are under lease.

GOV. POWERS: I guess that is O.K. So move it.

MR. KIRKWOOD: Approved.

CHAIRMAN PEIRCE: All right; the recommendation is approved.

MR. HORTIG: Page 7.

MR. SMITH: Request for withdrawal from sale of vacant school land, San Bernardino County. Applications for purchase of vacant school lands have been filed. Pursuant to these applications, field appraisal of the area has shown that the main-line track of the Atchison, Topeka & Santa Fe Railway Company traverses the section. The Railway Company does not appear to have any record right-of-way over the
land, having in the past relied upon a Federal filing approved by the Secretary of the Interior in 1911.

It is recommended, in view of the conflicts between the actual use of the land and the title records, that the 640 acres vacant school land in San Bernardino County be withheld from sale, and that action under the applications be withheld until such time as the title to the section has been clarified, whereupon any pending applications shall be processed to the extent of the area which has been determined to be salable.

CHAIRMAN PEIRCE: Approved?

MR. KIRKWOOD: Yes.

GOV. POWERS: Yes.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 8.

MR. SMITH: Sale of vacant school lands. It is recommended that the Commission authorize the sale of vacant State school land, for cash, at the highest offer, in accordance with the following tabulation, such sales to be subject to all statutory regulations, including minerals.

CHAIRMAN PEIRCE: Any questions.

MR. KIRKWOOD: None.

GOV. POWERS: Approved.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 18.

MR. SMITH: This item involves the sale of vacant
Federal lands containing twenty acres in Mariposa County which may be obtained by the State from the Federal government.

It is recommended that the Commission determine that it is to the advantage of the State to select the Federal land containing twenty acres in Mariposa County; that the Commission find that said land is not suitable for cultivation without artificial irrigation; that the Commission approve the selection of said land and authorize the sale thereof pursuant to the rules and regulations governing the sale of vacant State school land, upon the listing of said land to the State by the Federal government.

CHAIRMAN PETRCE: The recommendation is approved.


MR. SMITH: This involves the sale of vacant Federal
land. It is recommended that the Commission determine that it is to the advantage of the State to select the Federal lands comprised in the following tabulation; that the Commission find that such Federal lands are not suitable for cultivation; that the Commission select and authorize the sale of lands, for cash, at the total appraised value, in accordance with the following tabulation, such sales to be subject to all statutory reservations, including minerals.

CHAIRMAN PEIRCE: The recommendations are approved.

MR. HORTIG: Page 27. At the last meeting the Commission was informed of the status of a pending exchange application for the benefit of the State Division of Forestry with the concurrence of the Director of Natural Resources. The item was deferred for further consideration and recommendation at this meeting. The problems relative to the establishment of valuations of these lands in connection with completing the exchange application have been reviewed with the Director of Natural Resources and his staff, who are in agreement with the procedures to be recommended, that the Commission authorize the staff of the State Lands Division to undertake a partial review of the values of both the offered and selected lands, embraced in exchange application No. 41, and if it is determined that the values are not equal, or approximately equal, based upon current market data, it is recommended that a complete review and appraisal of all lands in the entire transaction be undertaken to
establish such values and that the application be amended in co-operation with all agencies concerned to provide for an equal-value exchange, as required by Section 6441 of the Public Resources Code.

The Director of Natural Resources has one additional comment, that if the initial partial review indicated that there would be necessarily large amounts of time involved in a future further complete review, the Division of Forestry would like to withdraw from the application.

CHAIRMAN PEIRCE: May I ask why the State Division of Forestry wants to obtain title to this property?

MR. SMITH: They own State forests and certain acreage in Tulare County, and the acquisition of these lands will elevate their holdings within the Mountain Home State Forest.

CHAIRMAN PEIRCE: This action was taken by the Commission or initiated by the Commission before the three of us were members, and I was merely curious to know why there would be any advantage to transferring title from one forest jurisdiction to another forest jurisdiction, assuming that the objective is the same in both instances.

MR. HORTIG: The difficulties, I believe, sir, are one of administration, in that the Federal lands sought by this exchange are scattered parcels throughout the area, in which the State Division of Forestry has consolidated holdings, and therefore the State consolidated holdings could be
augmented, whereas these parcels are so scattered they are not ordinarily manageable by the United States Department of Forestry.

CHAIRMAN PEIRCE: Aren't we exchanging lands that we could otherwise sell and place back on the tax rolls in order to negotiate with the United States Forest Service?

MR. HORTIG: That is correct, sir, the land is offered to the United States for other United States lands scattered throughout the State. In fact, the very point you are making resulted in Trinity, Siskiyou and other northern counties objecting to having any lands in their counties included in this type of exchange, in order to insure that State lands would not thereby be removed from the area where they are potentially available to go on county tax rolls.

CHAIRMAN PEIRCE: Why wouldn't it be simpler for the State to approach the Congress of the United States with respect to having these lands granted the State of California for forest purposes without having to go through the motions of exchanging other State lands for these lands, which other lands otherwise would be sold and placed on the tax rolls of the counties in which they are situated?

MR. HORTIG: That, of course, sir, is an alternative. The Division of Forestry felt, in view of the established procedure and the fact that it was very successfully used by them previously in the famous, at least in our records, La Tour State Forest project, wherein the Division of State Lands consolidated a considerable block of acreage which
the Legislature thereupon transferred to the Division of Forestry. With that precedent, of course, the Division of Forestry felt this was the more acceptable alternative and method of proceeding.

CHAIRMAN PETRCE: I note we are exchanging over 16,000 acres of vacant State school land for 3900 acres of Federal land.

MR. HORTIG: That is correct, sir, based on the assumption, which we wish to verify, that the 16,000 and the 3000 are of equal value.

CHAIRMAN PETRCE: Gentlemen, we have at Sacramento received complaints from the smaller counties that withdrawal of lands from their tax rolls has created a problem. They are seeking relief from the State Treasury in the form of in lieu tax payments, and I personally think that here is a subject that ought to be pre-considered before we proceed with this exchange idea that was initiated back in 1951. There may be thousands of dollars worth of State lands that are involved in this transfer, and we will lose the value of those lands so far as sale to private citizens is concerned. What do you think, gentlemen? Gov. Powers?

GOV. POWERS: I think we should keep all the land we can on the tax rolls. I am thinking back to this situation of a moment ago involving Mr. Dill. I don't know why, unless the Fish & Game Department in that particular case can make a substantial showing that they need this land, I think it
should go on the private tax rolls, and I think we should look after these counties. We have a grave situation, forty-six per cent of the State being Federally owned at the present time. Naturally it behooves the State of California to put all the property they can on the tax rolls. That is why, that is the only reason we should make a sale of these lands at the present time. It isn't necessary that the State receive the value of these lands. The real value is in the fact that they are on the tax rolls. That is why I am going to say right now, not only in this case but in the present case of Dill, he isn't here, I think, but your Fish and Game should be required to make a good showing. That land has been setting there for years and they haven't apparently needed it, now, all of a sudden, they come in and need it when you have a chance to put it on the private tax rolls; therefore I am going to vote against the transfer unless they show me it is absolutely necessary, because it is the experience we have had all over the West, that when any governmental agency, regardless of whether it is a State agency or Federal agency, whenever they get any land, even though it serves its purpose, they never turn loose of it. I can cite you instances where they have taken land for fish and game purposes and that land has served the purpose they took it for, but when they get through with it they never turn it back. They always keep it. So that is why I am reluctant to keep any tax land off the tax rolls
unless they make a very substantial showing it should be off the tax rolls.

MR. HORTIG: May I suggest that even under the recommendation that it is incumbent that this matter return to the Commission before there be any further or final action, so that the staff might undertake an amendment in the recommendation that in reporting back to the Commission as to the partial review of the values, and as a further step the Commission might indicate it would be necessary that there be in conjunction with the partial review also a report as to the location and potential tax benefits as to the State lands proposed to be offered, so that the Commission may reconsider the entire picture.

MR. KIRKWOOD: Yes, I think it is desirable to get the full picture before the Commission, certainly, but this is an exchange, it would go into State forest where it is subject to management and isn't foreclosed from private development as the timber matures; isn't that about right?

MR. HORTIG: The proposal for the consolidation is so that it may be administered by the State Division of Forestry and have lumbering and so forth and have a proper timber management timber area.

GOV. POWERS: Is there timber on this area?

MR. HORTIG: Yes, on the land being selected.

GOV. POWERS: They accept a lot of land a lot of times when there isn't any timber on it.
MR. KIRKWOOD: This was selected because of the location of the State fire station in this area, wasn't that part of the picture?

MR. HORTIG: That is one of the items under consideration.

MR. KIRKWOOD: I know we ought to get the information; I would suggest maybe, Mr. Chairman, that we ask the Acting Executive Officer to get from the Division of Forestry some kind of statement that we can have in advance of this thing as to the desirability of it, because I would assume that desirability has been passed on at one time by the preceding members of this Commission; there is probably good reason existing for it.

CHAIRMAN PEIRCE: All right. The recommendation as amended with regard to the request of the Executive Officer is to confer with the State Division of Forestry in the interest of developing an alternative process for acquiring title to this Federal land which will preclude the necessity for exchange of State school land which, if not exchanged, is available for public sale.

GOV. POWERS: So move.

MR. KIRKWOOD: Approved.

CHAIRMAN PEIRCE: All right; the recommendation as amended is approved.

MR. KIRKWOOD: Is anyone present from the Fish and Game on that? In view of Mr. Powers' comment, I would feel that
at the next meeting it would be advisable to have someone from the Fish and Game present on that.

MR. HORTIG: The Fish and Game Commission, the Director of Fish and Game, the Department of Fish and Game, and Wild Life Conservation Board, were all informed as to the items to be considered today.

MR. KIRKWOOD: They knew also of your recommendation?

MR. HORTIG: Yes.

MR. KIRKWOOD: And assumed there wouldn't be any objection to it, but as Mr. Powers indicated, he wants a further explanation. I think it would be well to have someone here the next time the item is taken up.

MR. HORTIG: We are sure to have that.

CHAIRMAN PEIRCE: I concur in that suggestion. I am a member of the California Wild Life Conservation Board and we have on previous occasions recommended the withdrawal of lands which were deemed desirable for public recreational purposes; however, I am not familiar with the details of this particular situation. I believe it would be very desirable to have representatives of the Department of Fish and Game and also the Wild Life Conservation Board present, to supply us with more specific reasons as to why this land cannot be returned to the tax rolls, in view of the public interest involved in the potential State ownership. So, Mr. Hortig, if you will proceed on that basis.

MR. HORTIG: Page 29, gentlemen. The Las Gallinas
Valley Sanitary District has applied for a life-of-structure permit for a right-of-way 70 feet in length under and across the north fork of Gallinas Creek, Marin County, for construction, maintenance and use of a sewage force main.

It is recommended that the permit, in accordance with the standard conditions heretofore established by the Commission be issued to the Las Gallinas Valley Sanitary District, the consideration being the public health and benefit.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 31. Standard Oil Company of California has heretofore held a lease on a minor portion of the area in the middle of the Sacramento River at Walnut Grove in Sacramento County. Pursuant to the requirements of the term of the lease, a quitclaim deed has been executed and the rental paid to date. It is recommended that authorization be granted to accept a quitclaim deed and to terminate the subject lease.

CHAIRMAN PEIRCE: Approved?

GOV. POWERS: Yes.

MR. KIRKWOOD: Yes.

CHAIRMAN PEIRCE: Recommendation is approved.

MR. HORTIG: Page 32. As required by Chapter 1939, Statutes of 1955 (amended by Chapter 1430, Statutes of 1957), the State Lands Division have surveyed and mapped the area
granted to the City of Antioch by the State of California. It is recommended that the Acting Executive Officer be authorized to approve and have recorded the survey maps prepared on behalf of the Commission.

MR. KIRKWOOD: There is a specific date to go in there, or just September, 1957?

MR. HORTIG: This was the identification of the sheet. The effective date of the grant is September 11th.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Similarly, by the Statutes of 1957, the granted areas described for conveyance to the Port San Luis Harbor District have been modified and corrected and that has been resurveyed. It is recommended that the Acting Executive Officer be authorized to approve and have recorded the survey maps prepared.

MR. KIRKWOOD: So move.

GOV. POWERS: Seconded.

CHAIRMAN PEIRCE: Recommendation approved.

MR. KIRKWOOD: The same thing on the next one?

MR. HORTIG: The same thing on the next one, with respect to Morro Bay.

CHAIRMAN PEIRCE: Approved?

MR. KIRKWOOD: Yes.

GOV. POWERS: Yes.

CHAIRMAN PEIRCE: Recommendation approved.

MR. HORTIG: In connection with the location of offshore
oil lease areas, the State Lands Division has surveyed and mapped the ordinary high water mark from a point west of Summerland to a point east of Serena, a distance of approximately 3.6 miles.

It is recommended that authorization be granted to approve and have recorded the maps and surveys of the staff.

CHAIRMAN PEIRCE: Recommendation approved.

MR. HORTIG: Page 36. House Resolution 8935, introduced by Congressman Vinson on July 29th of this year, proposes to establish San Miguel Island and Prince Island (Santa Barbara County), and San Nicholas Island (Ventura County) as a naval petroleum reserve. The bill provides that the islands, including the submerged lands and all exposed areas surrounding the islands from the low water mark seaward to the 100-fathom curve, except the east of San Miguel Island, where an arbitrary limit is designated, shall be established as a naval petroleum reserve under the exclusive jurisdiction of the Secretary of the Navy. The submerged lands proposed for inclusion in the petroleum reserve have at all times been claimed by the State of California. These consist of the lands within three miles of the islands, which have been conceded at all times by the U. S. Department of Justice to be under the jurisdiction of the State, and of those submerged lands in excess of three miles from the respective islands which are claimed by the State but title
to which has been disputed by the United States in the action United States vs. California.

It is recommended that the Commission authorize the Acting Executive Officer to oppose House Resolution 8935, in conjunction with the office of the Attorney General, insofar as the establishment of the proposed Naval petroleum reserve would pre-empt areas of submerged lands for which title has at all times been vested in the State of California or areas of submerged lands claimed by the State.

GOV. POWERS: So move.

MR. KIRKWOOD: Seconded.

CHAIRMAN PETRCE: The recommendation is approved. This will be followed very carefully by the Attorney General's office?

MR. SHAVELSON: If I may answer?

CHAIRMAN PETRCE: Mr. Shavelson.

MR. SHAVELSON: Our office has already written letters to Representative Engle, who in turn requested an opinion from the Controller General. The opinion of the Controller General, as written to Representative Engle, who was contesting any inference that might arise in the proposed statutes that there is Federal ownership of a three-mile belt around the specifically concerned islands, the Controller General has acknowledged that in his opinion the Federal government—that this does not constitute an expression of opinion as to the title of the Federal govern-
ment, but nevertheless we do feel that the statute does conceivably indicate an attitude of Congress that they might have title, so we think that should be clarified. We are following it very closely.

CHAIRMAN PETIRCE: Very good.

GOV. POWERS: This is Engle's resolution?

MR. SHAVELSON: No, it isn't. Representative Vinson.

MR. HORTIG: Page 37. On May 13th of this year the Commission directed staff review of possible bases for retention of a board of consultants to assist the Commission by recommendations as to oil and gas lease procedures to be effected under legislation to be adopted relative to oil and gas leases. Retention of such a board was determined to be proper and practicable under the operating budget of the Commission. The availability of consultants in the engineering, geological and legal phases of oil and gas leasing has been under review by the Commissioners.

It is recommended that the Commission:

(1) Designate consultants to be employed to assist the Commission by recommendations as to oil and gas leasing procedures to be effected under existing statutes;

(2) Authorize the Acting Executive Officer to negotiate contracts with the designated consultants for the services to be rendered.

CHAIRMAN PETIRCE: Now, you recall that at a meeting two or three months ago Mr. Hortig supplied a list of names
of qualified out-of-state consultants whom we might retain to advise us with respect to the administration of the Miller Bill, which succeeds the Cunningham-Schell Act of 1955, which bill became effective on September 11th, this month, and at the request of the Commission I have written to a number of these consultants. It appears that two highly-qualified firms are available to us, one, Tippener & Wanamaker and the other, Herman H. Kelleher. Both are of Tulsa, Oklahoma, nationally recognized firms in the field of petroleum engineering and petroleum geology. I believe it was the thought of Gov. Powers and Mr. Kirkwood, and I concur, that perhaps we should have two such firms and not just one, and we also cited that we should retain an out-of-state petroleum attorney or firm of attorneys to advise us independently concerning some of these technical aspects of the administering of this new law and related matters having to do with leases and so forth. So far we haven't been able to locate such a firm, because those whom we have contacted have such direct contacts with members of the California oil industry that it appears advisable to retain them because of possible incompatibility.

Now, gentlemen, the decision is before us. I might also add that certain individuals have protested at our not retaining California consultants in this field, and certain individuals have indicated that perhaps this is an affront to the professional men in the State who advise the
California oil industry. I want to explain that it is not intended to be an affront to any member of the California profession, but it is our feeling that if we go out of the State we are less likely to be criticized for having retained someone who will be obviously prejudicial in favor of the California oil industry. That may not be true, but at least the allegation could be made that those who serve California oil companies might be prejudiced in their favor. I don't think that would be the case, but the allegations could be made, and that explains to anyone who may be here today why we are seeking these outside consultants, so that we may have as nearly as possible impartial advice concerning the steps we should take in carrying out the law as enacted by the California Legislature.

Gentlemen, what is your pleasure with regard to this matter? Mr. Kirkwood, you made the original motion; have you any thoughts to express at this time?

MR. KIRKWOOD: No. I think that the two firms you have mentioned are fully qualified. I would like to see us move along and employ them. It is possible that one of the attorneys whom we have consulted would be available and appropriate, but it does seem to me under the circumstances that our best way to move this along is to get two engineering firms and geologists, and ask their advice and counsel on what to do--how to get expert legal advice in this field. They certainly have had to proceed before in this consulting
and they perhaps can be helpful to us in this instance, so I suggest we do get in contact with these two firms and get them moving, as I think it is desirable that we move right into this. Then as we have the opportunity to talk them, see if we can't also pull in a law firm that is recommended during this procedure.

CHAIRMAN PEIRCE: Would that meet with your approval?

GOV. POWERS: Yes, in an advisory capacity. I second that motion.

CHAIRMAN PEIRCE: It is understood that our executive officer will handle the details of entering into contractual arrangements with these two consultants, and that he also discuss with them their obtaining special counsel skilled in the field of petroleum law. We will say this is not an affront to the Attorney General of the State of California, since this is a specialized field where we feel a supplementary adviser may be helpful to us and also helpful to the Attorney General. Is there any further discussion? If not, the recommendation is approved.

MR. HORTIG: Page 38. As the Commission is aware, the operating budget for the State Lands Division for the current fiscal year was prepared in August and September of 1956. Since that time changes in operation and litigation have developed, with the result that it has now been found that insufficient funds were provided for operating expenses, as hereafter detailed. Therefore, it is recommended that
the authorization be granted to request the Department of Finance to augment the State Lands Commission current appropriation for support to provide for unforeseen operating expenses by means of an emergency authorization in the total amount of $63,600, which is subdivided in detail on page 39 of your calendar.

CHAIRMAN PEIRCE: The largest item is $49,000 for the Attorney General. Does that arise out of the litigation in Orange County?

MR. HORTIG: The major part arises from that fact.

CHAIRMAN PEIRCE: That was not anticipated when the budget was approved by the Legislature?

MR. MORTIG: No, sir. We were not yet into the litigation.

CHAIRMAN PEIRCE: I would like to say that as Director of Finance I feel that this recommendation is entirely in order, but I would reserve the right to advise you concerning the attitude of the Department of Finance after I have consulted with our Budget Division. It appears to be in order. What is your pleasure?

MR. KIRKWOOD: I so move.

GOV. POWERS: If it looks O.K., then I approve.

CHAIRMAN PEIRCE: All right. It has been moved and seconded. The recommendation is approved.

MR. HORTIG: Page 40. The Commission is also aware that the State Lands Division for some period of time has
had in effect a service contract for specialized auditing service and study by the Audits Division of the Department of Finance relative to the Commission's responsibilities under Chapter 29, fund accounting on the tideland operation in Long Beach. It has developed to be an extremely complicated problem which again could not be foreseen until the problem was actually entered into, and it has become apparent during the course of the work performed by the Audits Division that further services of that division will be required during the current fiscal year to perform certain auditing functions, such as the annual review of Harbor Trust expenditures, and a review of operations by the City's contractors engaged in oil and gas production, for which the State Lands Division is not yet staffed. Therefore it is recommended that authorization be granted to enter into and execute an inter-agency contract with the Audits Division, Department of Finance, providing for the furnishing of services by said division during the fiscal year July 1, 1957, through June 30, 1958. This contract is to provide for completion of work on, and the rendering of a report relating to the accountability for and disposition of revenues from the City of Long Beach's granted tide and submerged lands; the completion and furnishing of an auditing program designed to guide the State Lands Division in auditing operations in the future, and perform auditing services as required by the State Lands Division in carry-
ing out auditing functions under the provisions of Chapter 29. For the current fiscal year, the current amount payable under said agreement is not to exceed $15,000.

MR. KIRKWOOD: We have got to come to an end of using contract services here and have our own auditors.

MR. HORTIG: As of the time we have this completion of the work and the furnishing of an auditing program to guide the State Lands Division, we will. The problem of staffing is predicated in turn on the recommended program to be carried out.

MR. KIRKWOOD: This refers to what is required during the current fiscal year, to perform certain auditing functions, such as the annual review of Harbor Trust expenditures, and a review of operations of the City's contractors engaged in oil and gas production. It seems to me at the time that we originally entered into this contract we were talking about what was to be done to bring the thing down to date at the time that we took over, and that then a program would be developed for an auditor of this State Land department to follow up from there. Now we are moving into a field where we are contracting for this sort of service. I think we ought to move into the area of having our own auditor here.

MR. HORTIG: We are, of course, Mr. Kirkwood, in the area to the extent of having an auditing staff of two men who are with the State Lands Division who are operating
currently at full time, but the balance of the services
which will require additional staff, which additional staff
is to be predicated upon a recommended audit program, can
not be determine until the audit program is completed. It
was not the intent of this recommendation to recommend that
we divert from the original program that the Commission had
indicated, that the State Lands Commission would take over
the auditing, but this by necessity of time simply recommends
deferring the time until we have this audit program from
the Division of Audits.

MR. KIRKWOOD: But this runs through the current
fiscal year.

MR. HORTIG: Yes, sir, at its maximum.

MR. KIRKWOOD: It sounds like a long temporary
arrangement.

CHAIRMAN PEIRCE: Gov. Powers?

GOV. POWERS: I have no questions. I have no questions
since this is in your province and you as the Controller
know more about it than anybody.

MR. KIRKWOOD: I would just like to see the day when
this thing is brought to an end, and it seems to me that
shouldn’t take a year and a half that this has been going on,
or it has been almost two years.

MR. HORTIG: That, of course, sir, was a reasonable
estimate of the time, and of course we would like to find
two more auditors as soon as we get the program.
MR. KIRKWOOD: All right.

CHAIRMAN PEIRCE: Gov. Powers?

GOV. POWERS: Approved.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 41. Chapter 2000, Statutes of 1957, effective September 11, 1957, provide that the Commission shall determine the boundaries of tide and submerged lands conveyed in trust to the City of Long Beach, and that the Commission may bring any actions necessary to determine such boundaries, and for that purpose may employ special counsel. The Commission shall report to the Legislature, the interim report to be rendered to the Legislature not later than February 15, 1958, and that for these purposes the sum of $50,000 is appropriated out of the Investment Fund of the State Lands Commission.

The determination of the subject boundaries has been under active review by the office of the Attorney General in conjunction with the State Lands Division since the enactment of Chapter 29, Statutes of 1957, which requires the supervision of the State Lands Commission on operations on the tide and submerged lands previously granted to the City of Long Beach.

It appears that the most effective progress in the determination of the boundaries in the manner desired by the Legislature could be accomplished through employment of special counsel to co-ordinate all legal research with past
and current work on the subject by the office of the Attorney General. Initial determinations of the scope of the problems involved have shown that these are principally in the field of legal research and probably of litigation. The surveying, monumenting and platting of the boundaries of the lands, as required by the statute, would constitute a smaller portion of the total effort after determination of the legal boundary locations.

The office of the Attorney General has volunteered complete co-operation and to make available to any special counsel retained by the Commission all information developed from the current study of the boundary location problem.

It is recommended that the Commission authorize a determination of the availability of special counsel to make recommendations on the determination of the boundaries of the tide and submerged lands conveyed in trust to the City of Long Beach and report such available counsel for selection by the Commission and for retention under service contract to accomplish the purposes of Chapter 2000, Statutes of 1957.

MR. KIRKWOOD: Why isn't the A.G's office perfectly competent to conduct this work?

MR. SHAVELSON: I have been authorized by Mr. O'Connor to make a statement in that regard. We took a neutral position when this legislation was enacted. We did not oppose it. We made a statement as to our progress up to
that time, which I believe was satisfactory to the Committee. However, we do want to say that we under our present shifting of assignments and by engaging additional personnel it is our feeling that we are adequately staffed to handle this problem, and if special counsel is engaged, though, we feel that it would be incumbent upon us to withdraw from this problem because we think that one attorney must be in charge and we don't think we can work in subordination to outside special counsel. Of course, if such special counsel is engaged, we will co-operate fully in bringing them up to date and giving them the benefit of the extensive research that we have done already on this problem, but we do feel that we are adequately staffed to handle it ourselves.

CHAIRMAN PEIRCE: When this bill was before the Assembly Committee on Natural Resources and Conservation, the Committee requested that the Attorney General himself and the Chairman of the State Lands Commission appear for interrogation. General Brown and I were present, and we listened to the rather brief discussion on this proposal. We were not called on, and the Committee sent out the bill with a favorable recommendation, and it went on through the Legislature. Now, the fact that General Brown did not protest the legislation at that time, I assume, of course, that concurs with what you have just stated.

MR. SHADELSON: There was a week prior to that meeting
that you are referring to a meeting at which we did make a rather lengthy statement as to our progress, and Mr. Howland of our office stated that we had no opposition to the bill.

CHAIRMAN PEIRCE: We have an Act of the Legislature that directs us to do this. I assume we have no choice in the matter.

MR. SHAVELSON: The Act authorizes the Commission to engage special counsel. I believe that it remains discretionary, though, in the Commission as to whether or not it should do so, from a legal standpoint, gentlemen.

CHAIRMAN PEIRCE: Gentleman, we are thus provided with discretionary power with regard to this matter, and the Attorney General says he can handle it. The Legislature appropriated $50,000 to provide independent counsel—

MR. SHAVELSON: Excuse me. The $50,000 is available for any engineering and other work pursuant to this Act, as well as counsel.

CHAIRMAN PEIRCE: Well, the overall project, then.

GOV. POWERS: I feel a little reluctant to take it out of the Attorney General's hands if he can handle it.

MR. ROUNTREE: Mr. Chairman.

CHAIRMAN PEIRCE: Mr. Rountree.

MR. ROUNTREE: I want to supplement Mr. Shavelson's statement with respect to the ability of the Attorney General's office to handle the particular work involved here. He did say, and I want to emphasize the fact, that there have
been shifting assignments, particularly in the Los Angeles office of the Attorney General. We have recently taken on six additional junior attorneys, three of them are already being indoctrinated in some of the legal problems of State Lands Commission, and next year we will probably take on additional men, whereas at the time this legislation was being considered we did not have these men on our staff. I feel personally that while it is a discretionary matter with the Commission, of course, our office probably can handle the job and is certainly indoctrinated, the office as a whole, and for that reason could attack it more quickly, I should think, than outside counsel could. But I don't want to make an argument about it, I just want to state my personal view and emphasize the statements made by Mr. Shavelson.

MR. KIRKWOOD: Mr. Chairman, it seems to me that this is a situation similar to the one we were talking about as to the consultant service a few minutes ago--

CHAIRMAN PEIRCE: No.

MR. KIRKWOOD: --where an attorney practicing regularly in the field has specialized knowledge in that area, particularly tax problems that come up, that normally wouldn't be things that the Attorney General's office would be concerned with or have familiarity with; but the procedure here, it seems to me, is one which should be within the purview of the Attorney General's functions, and I think that here we should operate through the Attorney General and he should
be accountable if the job isn't done. He should be competent to handle it, and I think for us to go out and hire outside counsel at this point is perhaps breaking down what should be his responsibility. My reaction would be to work through the Attorney General's office.

GOV. POWERS: I believe the same way, Mr. Chairman. I think this is strictly the Attorney General's duty, to advise us and have these people work with the State Lands, and I think this would be best handled by the Attorney General.

MR. KIRKWOOD: I recognize we have some legislative consideration, but on the other side of this is the fact that we are constantly putting to the Attorney General questions as to the propriety of various departments hiring outside assistants in possible violation of civil service under the provisions of the Constitution, and generally the public policy of using public employees where it is in the ordinary routine of work. I think it would be difficult for me in this situation to vote to hire outside counsel.

CHAIRMAN PEIRCE: Could we transfer a portion of this appropriation to the Attorney General to enable him to employ special counsel?

MR. KIRKWOOD: We could transfer a lot that we don't transfer any more.

CHAIRMAN PEIRCE: Is there any restriction, Mr. Rountree?

MR. ROUNTREE: Mr. Shavelson.
MR. SHAVELSON: My experience in budget matters is not sufficient for me to make a statement as to that. We would be glad to look into it, but I would rather not state right now.

CHAIRMAN PEIRCE: I don't think there would be any problem unless there is something restrictive about the legislation itself. Does it read as it is recorded on page 41?

MR. HORTIG: I have quoted that in its entirety.

MR. KIRKWOOD: I don't see how we can get into any trouble of that kind. I had hoped that $49,000 would be sufficient to cover this work, too, but if it isn't, why, we still have the same authority that we just exercised in augmenting that $49,000. It might not be necessary to come out of the $50,000.

CHAIRMAN PEIRCE: It will come out of the same fund, anyway.

MR. KIRKWOOD: That is right.

CHAIRMAN PEIRCE: All right. Your recommendation is that we delegate to the Attorney General responsibility of carrying out the provisions of Chapter 2000, Statutes of 1957?

MR. KIRKWOOD: No. I think that is a little strong. Some of this work will be done by our staff.

MR. HORTIG: To perform such legal services as are necessary.
CHAIRMAN PEIRCE: I will correct myself.

MR. KIRKWOOD: In other words, we are not delegating anything to him, we are asking him to represent us in this matter.

CHAIRMAN PEIRCE: Instead of our employing special counsel, and if he feels it necessary to have special counsel, he will make necessary arrangements?

MR. KIRKWOOD: No. He will have to come back to us for that.

CHAIRMAN PEIRCE: How do you want this recommendation worded?

MR. KIRKWOOD: I guess it would be a motion. It would be a motion that the Executive Officer work with the Attorney General's office in determining the boundaries of the tide and submerged lands in question. That is in essence what it would be.

MR. HORTIG: Yes, sir.

CHAIRMAN PEIRCE: Would that do it, Mr. Hortig?

MR. HORTIG: Yes, sir.

CHAIRMAN PEIRCE: What you are doing here, it is recommended that the Commission authorize the Acting Executive Officer to determine the availability of special counsel, as previously recommended.

MR. HORTIG: Of course, this is a substitute motion in lieu of that.

MR. KIRKWOOD: This means, instead of going out and
finding what counsel are available, it would be to go to
work with the A.G's office and get the job done.

CHAIRMAN PEIRCE: I note it says, "The Commission shall
report to the Legislature not later than February 15, 1958,"
which is only five months away.

MR. KIRKWOOD: I would hope that the Attorney General's
office is on sufficient notice that the Legislature is
breathing down its neck on this one.

MR. ROUNTREE: I think I can say that the Attorney
General is well aware of the problem in front of him.

CHAIRMAN PEIRCE: All right. You understand the
recommendation, Mr. Hortig?

MR. HORTIG: Yes.

CHAIRMAN PEIRCE: Approved?

GOV. POWERS: Yes.

MR. KIRKWOOD: Yes.

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 54, I believe, gentlemen.

CHAIRMAN PEIRCE: I have looked over all these items
of transactions consummated by the Executive Officer, and
they appear to be in order.

MR. KIRKWOOD: I move they be approved.

GOV. POWERS: Approve.

CHAIRMAN PEIRCE: All right. The recommendation to the
Commission concerning the actions of the Executive Officer
as thus reported is approved. Is there any further business
to come before the Commission?

MR. HORTIG: I believe not. May I request confirmation from the Secretary that all items have been processed?

THE SECRETARY: Yes, they have.

CHAIRMAN PEIRCE: All right, the meeting is adjourned.

(Whereupon, at 11:40 p.m., the meeting was adjourned.)
REPORTER'S CERTIFICATE

I hereby certify that, acting as Official Hearing Reporter, I reported in shorthand the proceedings contained in the foregoing transcript and that same is a full, true and correct transcription of my shorthand notes so taken.

Dated September 26, 1957.  

[Signature]

Hearing Reporter